

about AAA and how to initiate an AAA arbitration from AAA at 335 Madison Avenue, Floor 10, New York, NY 10017-5905, www.adr.org (phone 1-800-778-7879). You can obtain comparable information concerning NAF from NAF at PO Box 50191, Minneapolis, MN 55405, www.arb-forum.com (phone 1-800-474-2371).

We are also revising this section to state that without the consent of all parties, no arbitration may be administered by any Administrator that has any formal or informal policy, rule or procedure that is inconsistent with or purports to override the terms of this section.

The changes to this section will become effective as of April 1, 2005 and will not affect arbitrations that are pending before that date.

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**AMENDMENT TO THE CASHBACK BONUS®
PROGRAM, CASHBACK BONUS PLUS PROGRAM,
GOLD REWARDS AND MILES CARD REWARDS
PROGRAM TERMS AND CONDITIONS**

We are adding a new provision to inform you that, from time to time, we may offer checks with which you can make purchases. These purchases will not accrue Cashback Bonus awards, Gold Rewards or Miles, unless otherwise specified in the terms of the offer.

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If you would like to receive a copy of the most current version of the Discover Cardmember Agreement, please call 1-800-DISCOVER.



**NOTICE OF AMENDMENT TO
DISCOVER® CARDMEMBER AGREEMENT**

This notice informs you of changes to the Discover Cardmember Agreement that will be effective and will apply to your Account for billing periods ending after April 1, 2005. These changes include revisions to the Arbitration of Disputes section. You have the right to reject the changes in Section A, as explained below. Please read this notice carefully and retain it with your records.

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SECTION A

The following changes will apply to your Account unless you notify us in writing that you reject them by March 25, 2005. Send your notice to P.O. Box 30937, Salt Lake City, UT 84130-0937. Your notice should include your name, address, telephone number and Account number(s) and should not be sent with any other correspondence. Calling us to indicate you reject these changes is insufficient notice. In order to process your notice, we require that the notice be provided by you directly and not through a third party. If you reject these changes, we will close your Account and you will pay us the balance that you owe us under the current terms of the Agreement, as amended by the changes described in Section B below. Note that the changes in Section A will not apply to your Account if your Account is closed by March 25, 2005. Use of your Account on or after March 26, 2005, means that you accept these changes even if you previously notified us that you did not agree to these changes.

Use Of Your Account

This section explains that you may use your Account to obtain cash advances. We are revising it to clarify that in addition to obtaining cash from ATMs, financial institutions and other locations, the following transactions are also considered to be cash advances: the purchase of lottery tickets, racetrack

wagers, vouchers redeemable for cash or for casino chips, money orders, traveler's checks, savings bonds, foreign currency and wire transfers.

Credit Limit-Available Credit

This section states that we may apply a credit limit on cash advances that is lower than your Account credit limit, and that we may increase or decrease your cash advance credit limit without notice. We are adding that we may also limit the amount of credit that can be used for balance transfers to an amount that is lower than your Account credit limit, and that we may increase or decrease the amount of credit available for a balance transfer without notice.

Minimum Monthly Payment

Under the current terms of the Agreement, your Minimum Payment Due each month will be the sum of any amount past due and the minimum monthly payment. Your minimum monthly payment each month will be the greater of \$10 or 1/50th of the New Balance. If any ANNUAL PERCENTAGE RATE applicable to your Account is greater than 22.99%, your minimum monthly payment will be the greater of \$10 or 1/45th of the New Balance.

We are changing the minimum monthly payment so that if any ANNUAL PERCENTAGE RATE applicable to your Account is greater than 22.99% but less than 26.00%, your minimum monthly payment will be the greater of \$10 or 1/45th of the New Balance. If any ANNUAL PERCENTAGE RATE applicable to your Account is 26.00% or greater, your minimum monthly payment will be the greater of \$10 or 1/40th of the New Balance.

In all cases, both currently and as revised, the minimum monthly payment will be rounded to the next higher whole dollar amount.

Default Rate Plan

Currently, if you fail to make a required payment when due, any initial special rate on balance transfers and any introductory or promotional rate on purchases will terminate and the standard Annual Percentage Rate for purchases will apply. If you fail twice in a twelve month period to make a required payment when due or if you exceed your Account credit limit three times in a twelve month period to make a required payment when due or if you exceed your Account credit limit three times in a twelve month period, then your ANNUAL PERCENTAGE RATE for purchases, balance transfers and cash advances will be increased to 24.99%.

2

We are revising this section to provide that the rates under the Default Rate Plan are variable rates, calculated as follows:

If you fail to make a required payment when due, any existing or offered initial special rate on balance transfers and any existing or offered introductory or promotional rate on purchases will terminate, and the standard Annual Percentage Rate for purchases will apply. If the standard Annual Percentage Rate for purchases is less than the Prime Rate + 10.99%, we will increase your ANNUAL PERCENTAGE RATE for purchases, balance transfers and cash advances to a variable rate not to exceed the Prime Rate + 10.99% (currently 15.99%, a Daily Periodic Rate of .04381%).

If you fail twice in a twelve month period to make a required payment when due or if you exceed your Account credit limit twice in a twelve month period, we will increase your ANNUAL PERCENTAGE RATE for purchases, balance transfers and cash advances to a variable rate not to exceed the Prime Rate + 15.99% (currently 20.99%, a Daily Periodic Rate of .05751%).

If you fail three or more times in a twelve month period to make a required payment when due or if you exceed your Account credit limit three or more times in a twelve month period, we will increase your ANNUAL PERCENTAGE RATE for purchases, balance transfers and cash advances to a variable rate not to exceed the Prime Rate + 19.99% (currently 24.99%, a Daily Periodic Rate of .06847%).

Please note that if you exceed your Account credit limit for two or more consecutive months, each month you remain overlimit is considered a separate occurrence.

The Prime Rate is the highest rate of interest listed as the "prime rate" in the Money Rates section of the *Wall Street Journal* on the last business day of the month. Rates are as of November 30, 2004 and will increase or decrease when the Prime Rate changes. Any increased Annual Percentage Rates will take effect on the first day of the billing period in which we review your Account.

Because we look at the current billing period as well as the previous eleven billing periods in reviewing your Account, we may review your Account history as far back as May 2004.

Late Fee

We charge you a Late Fee each time that you do not make the Minimum Payment Due that was required to be paid by the Payment Due Date. The amount of the Late Fee is based on the sum of all outstanding purchases, cash

advances, balance transfers, other charges, other fees and Finance Charges at the end of the billing period. We are changing this section so that if the sum is equal to or greater than \$1,000, the Late fee is \$39, rather than \$35.

Change in Terms

This section states that you will receive notice of any changes we are making to the Agreement and that if you reject the changes, you must notify us, and your Account will be closed. We are revising this section to state that we will notify you of changes that we are making to the Agreement, if we are required to do so by law, and that you may be offered the opportunity to reject some of those changes. If you reject those changes, you must notify us, and your Account will be closed.

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SECTION B

The following changes will automatically apply to your Account.

Use Of Your Account

This section states that you may use your Account to purchase or lease goods or services by presenting your Card or Account number. We are adding that, from time to time, we may offer promotional checks with which you can purchase or lease goods or services. Our standard Stop Payment Fee of \$15 and Returned Discover Card Check Fee of \$29 will apply to these checks. The special rule for credit card transactions under the Fair Credit Billing Act does not apply to purchases made with these checks.

Therefore, if you have a problem with the quality of goods or services that you purchased with one of these checks, you do not have the right to withhold payment of the amount due.

Default-Acceleration-Collection Costs

We are deleting the provision stating that you will be deemed to be in default if you fail to make a payment when due on an account you have with another creditor.

Arbitration Of Disputes

We are replacing JAMS with the American Arbitration Association (AAA) as one of the two companies authorized to serve as the arbitration administrator (Administrator). The other permitted Administrator is the National Arbitration Forum (NAF). You can obtain information